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Some Signs of Improvement, More Signs of Deterioration

Soviet statistical authorities suggest that Prime Minister Valentin Pavlov may have been correct when he argued that the rate of decline of the Soviet economy seems to have levelled off. After the price increases of April 2 and more importantly after the agreement of the nine different republics with Gorbachev in that same month and the end of the coal miners' strike, economic conditions seem to have stabilized a bit. That does not mean that they are improving, only that the decline is constant. There is some dispute about that butit does seem to be the general case. Soviet newspapers report that during the first six months of 1991, gross national product fell by 10% and national income by 12%. Industrial production was reported to have dropped by only 6% yet individual industries seem to have suffered considerably more largely because of the coal miners' strike. Moreover the chemical and timber industries filled only one half of their delivery commitments, the metallurgical industry did not fill 46% of its commitments and the energy complex was 34% behind last year. Other Soviet economists report that because of the echo effects from the coal miners' strike, the problems have continued into the third quarter of the year. During the first six months of the year for example there were production disruptions at over 1000 enterprises each month. Not surprisingly specific industries suffered significant problems. Oil output was down 28 million tons or about 10% of output and coal extraction was down by 41 million tons. Steel production was down as much as 12%.

Extrapolating from these conditions, some Soviet statisticians have predicted that gross national income will be down by 15% before the end of the year. In just the last half of the year, it is predicted that industrial production will fall by 9% compared to 1990 and national income will drop by 17% suggesting that the rate of decline is still accelerating.

There are three factors causing this problem. One: according to Soviet officials the deterioration in the supply of fuel and energy resources has hurt badly. Two: there has been a drastic reduction of imports because of a shortage of hard currency. Three: there has also been a decline in investment activities and a corresponding increase in the amount of uncompleted construction. This has always been a perennial problem for the Soviet Union.

There seems to be real panic in the foreign trade sector. Officials report that during the first half of 1991, Soviet imports and exports fell 37% from what they had been the year before. Exports were down 43% and imports into the Soviet Union were down 48%. According to one report, exports of oil products fell by 52%. The Council of Mutual Economic Assistance was particularly hard hit. Trade between the Soviet Union and Eastern Europe and the other members of COMECON was down by 50%.

There is also some concern about joint

ventures. Although 3400 joint ventures were registered as of April 1, 1991, only 948 were actually operating. Moreover, there are more reports of western firms giving up. According to one western businessman, even Dresser Industries has now found it too difficult to operate. That seems particularly ironic because the Chairman of Dresser has been Chairman of the U.S.-Soviet Trade and Economic Council. That is a reflection of how serious the problems have become. In the meantime Chevron oil industry continues to defend itself against attacks in the Soviet press about the operation of Western companies inside the Soviet Union.

At the same time the mafia continues to increase its hold. Reacting to the growing influence of the mafia, Soviet authorities closed down the Rizhski market as a site for cooperative sales. The claim was that the cooperatives had been infiltrated entirely by the mafia. What this has done, however, has simply driven traders underground. It has not destroyed the market.

There are also some serious concerns about the harvest. While most Soviet authorities expect the harvest to reach 195 million tons, there are some who say that it will total only 180 million tons. Reflecting these predictions, Muscovites with dachas report that when their homes are broken into, the thieves no longer focus just on the theft of consumer electronic products. Now they steal food and in some cases even rip the tomato plants out of the ground.

FOREIGN EXCHANGE RATES
as of July 24, 1991
Quoted in rubles

	Official Rate	Commercial Rate	Tourist Rate
£100 Sterling	100.54	301.62	5377.60
100 Aust. Sch.	4.85	14.55	259.49
100 D. Marks	34.02	102.06	1819.63
100 D. Guilders	30.23	90.69	1616.98
100 U.S. Dollars	59.83	179.49	3200.00
100 Fr. Francs	10.05	30.15	537.74
1,000 Jap. ¥	4.38	13.14	234.50
10,000 It. Lire	4.58	13.74	245.16
100 Swiss Frs.	39.53	118.59	2114.30
100 Nor. Kroner	8.77	26.31	468.86
1,000 Bel. Frs.	16.56	49.68	885.70
100 Sw. Kronor	9.44	28.32	504.97

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Too much too soon

By Marshall I. GOLDMAN, US political scientist

When I first heard about the grand proposal to swap as much as $150 billion from the West for far-reaching Soviet economic, political and military reforms, I thought immediately of the old story about the sympathetic but often unrealistic matchmaker. She was asked by a desperate peasant to find a husband for his ugly daughter. Not only was she poor but she was also blind in one eye and not very smart. After some hesitation the matchmaker had an inspiration. "Have I got a match," she cried. "David Rockefeller in New York has a young unmarried son your daughter's age. He is rich, handsome and smart. Do you think your daughter would be interested?" "Certainly," responded the peasant. "Well, that's half the match," sighed the matchmaker.

Unfortunately, neither half of the present proposed match is so easy. Suggesting that anything like $15 billion a year, much less $30 billion a year for five years, can be found to underpin the Soviet Union is irresponsible. The United States is preoccupied with the recession and its own poor. We have begun to reduce our military forces, but already there are many claimants for what small sums have been released so far. We ourselves had to solicit help to pay for the Persian Gulf war.

Nor is the situation much better elsewhere. The West Germans have already committed themselves to provide $34 billion to the Soviet Union and it is hard to see how they can come up with much more until they have finished reabsorbing East Germany. The Japanese who normally might be expected to bear a major share are unwilling to participate until the Soviet Union yields the four northern islands.

Let's assume that the West does ultimately agree to put up some money. What will the West expect for its money and how should it be used?

Before the West provides any significant funding for the Soviet Union, there will have to be concrete evidence that the Soviet Union has actually embarked on the implementation of its market reforms, family farming, privatization, creation of private banks, freely fluctuating prices, convertibility... This will be like convincing Rockefeller's son to agree to the marriage.

By my count, this revived anti-crisis program being offered by Primakov and Yavlinsky is the seventh or eighth such scheme that has been proposed by Soviet economists since November 1989. Moreover, Gorbachev seems to have been supportive of most of these past proposals at least initially, but, then he always seems to back away. What is there about the current plan that will lead Gorbachev and Pavlov to push it through, especially when both of them have attacked the notion of private ownership of land and Pavlov seems so suspicious of foreign involvement in the Soviet economy?

The comparison is also made to the impact the Marshall Plan support had on Western Europe, especially West Germany. But those were very different circumstances. Not only were the Europeans required to come up with a detailed plan for the use of the money, but they were building on a long-standing market and infrastructure.

The challenge is very different in the Soviet Union. It would be a waste of foreign money which ultimately has to be repaid to attempt to build a brand new competitive industrial structure. That was tried in the 1970s when the Soviet Union earned over $180 billion from oil exports and used much of it to import whole factories. Today there is virtually nothing to show for it.

What is needed instead are investments which will help unleash the Soviet Union's natural wealth in a rational and natural way, generate a quick payoff and increase productivity of goods required by consumers inside the Soviet Union and, where possible, export as well. That rules out money for machine building and heavy industry. At this point the Soviet Union will have to build its industry from the bottom up—not the top down as it has tried to do in the past.

I would spend the money on farmers—to help them make farming profitable. It is also essential to set up a network for servicing all forms of equipment, particularly farm equipment. It would also make sense to provide small-scale food processing facilities.

There must also be a role for private foreign investment to play. For example, Western oil companies are eager to share in the development of Soviet deposits—not only in new fields but the enhanced recovery of oil from existing fields. This requires, however, a decision within the Soviet Union as to who it is—the Center, the Republics, the workers—that actually has the power to sign such contracts.

Can the peasant really speak for his daughter? Can the matchmaker speak for Rockefeller's son? Just as there can be no marriage, so there can be no effective set of loans and reforms until we on the outside know who on the inside not only has the authority but the power and the determination to bring about these far-reaching and politically explosive changes.

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THE WORLD

What path now for the USSR?

A death symbolizes new era

By Adam B. Ulam

With their country on the verge of political chaos and in the grip of an ever-worsening economic crisis, it is unlikely that most Soviet newspaper readers would have paid attention to a brief obituary notice on July 27, announcing the demise of Lazar Moiseyevich Kaganovich, at the age of 97. Those who recognized the name must have been astonished: Hadn't the man been dead for years? In any case, a figure from the distant past.

And, indeed, Kaganovich's political death took place a long time ago, in 1957, when he and some other potentates, unsuccessful in their plot against Nikita Khrushchev, were stripped of their party and government posts. Thrown out of the Communist Party in 1961, he had become an "unperson," his name reappearing in the press only briefly, when glasnost began to throw new and glaring light on the crimes of the Stalin era.

Those with longer memories must have reflected that there was something both symbolical and ironic in the death of one of Stalin's principal henchmen just as Moscow was preparing for the visit of the president of the United States. Here was Gorbachev trying to chart a new course for Soviet society and to remove the last vestiges of the tyrannical system of which the deceased had been one of the main archi-

USSR, Page A22

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USSR

Continued from Page A21

tects. And yet Kaganovich, publicly exposed as having been an accomplice in the death of countless innocent people, was allowed to live unrepentant and unpunished to great age and to die peacefully in his bed. Gorbachev has been working frantically to preserve the unity of the Soviet state and to retain for it the aura of a superpower. Kaganovich's name is associated with a period when it would have been inconceivable for a Soviet citizen, no matter what his nationality, to question that unity, and when no one had to be convinced that the USSR was a superpower – the world stood in awe of the monolithic giant ruled by the Kremlin.

How poignant in this connection was a feature of President Bush's visit last week to the Soviet Union, his side trip to Kiev, where he addressed the Ukrainian republic's parliament. Much as Washington has been at pains to bolster Gorbachev's position internationally and domestically, this trip was a clear sign that the United States was hedging its bets. Preservation of the Soviet empire's territorial integrity is currently the most agonizing problem confronting Gorbachev. And here was his guest, the president of the United States, virtually signaling that whatever the future association of the Ukraine with Moscow (and by implication this would apply to other republics), it was up to its people to define the nature of that relationship, with, presumably, even full independence not precluded.

How fantastically improbable such apparent intrusion into Soviet domestic affairs by a foreign statesman would have appeared only a few years ago! And some of those reading about Kaganovich's death must have recalled that between 1925 and 1930 he had been Stalin's satrap over the Ukraine. As such, he suppressed ruthlessly any manifestations of Ukrainian nationalism, not tolerating even the most moderate pleas for political or even cultural autonomy for this second most populous republic and nation of the Soviet Union.

There are other and instructive contrasts between Kaganovich's life record and the present political situation in the Soviet Union. After his Ukraine stint, he became the boss of Moscow (where he started young Khrushchev, his future nemesis, on his political career), but also Stalin's principal deputy in overall Communist Party affairs. Again, he faithfully followed his master's orders, purging the party membership mercilessly, not only of Stalin's past and potential opponents, but also of anyone found wanting in slavish worship of the "genius Leader of progressive mankind." Lazar Moiseyevich went on serving Stalin unflinchingly, even when the great terror of the late '30s, of which he was one of the main executors, claimed the lives of his two brothers, and insofar as we know, he did not even try to intercede for them. It was perhaps this exemplary and inhuman servility that kept Kaganovich on the Politburo when others replaced him among Stalin's principal lieutenants and the despot himself grew increasingly hostile toward Jews. After Stalin's death Kaganovich could not countenance Khrushchev's very modest attempts at liberalizing the regime. So he and some others of the dead tyrant's erstwhile "comrades in arms" plotted and lost.

This grim tale, apart from its inherent pathos, throws light on the vicissitudes of perestroika, and on Gorbachev's failure, at least up to date, to create a viable political system for his country. Bent as he was upon reform once he became general secretary in 1985, Gorbachev still had to work with the material he had at hand – the Communist Party. It was his hope that that party could be liberalized and made an instrument of progress toward, if not full democracy, then a much freer and dynamic society. But the Communist Party has proved unable to function as an instrument of progress. For all the years that passed since Stalin's death, the party still has retained many characteristics implanted in it by the tyrant and his lieutenants, such as Kaganovich. Its membership had grown used to obeying orders but was incapable of becoming a body where there was a true political dialogue, whether within itself or with society. And then glasnost bared the frightful details of the party's and the regime's past. To the mass of Soviet citizens, including many rank-and-file party members, the very term "Communist" became opprobrious, epitomizing the horrors of Stalinism and the corruption and stagnation of the Brezhnev era, all that has been shameful and debilitating in their nation's history, all that stands in the way of the country's regeneration.

Yet, in the face of such general revulsion, and though partly sharing it himself, Gorbachev has been unwilling to break decisively with the past. Unlike his rival Boris Yeltsin (who thereby has gained vast popularity), he has been unable to repudiate the party and give up the forlorn hope that it still could be fitted into perestroika. It is not only a sentimental attachment to the organization within which he grew and which brought him eminence that has kept him on the vacillating course, trying to combine the irreconcilables – the Communist Party and the democracy. It has also been the realization that by its very success in destroying everything else that had been vital in the country's political life, the Communist Party had become the glue that held the multinational Soviet Union together. "What will you do without me?" Stalin is reputed to have said to his lieutenants shortly before his death. As of the moment, Mikhail Gorbachev is still seeking an answer to a variant of this question: What can take the place of Stalin's legacy – the Communist Party of the Soviet Union – and become the foundation of a new and united community of Soviet republics?

To a Westerner as well as to many Soviet people, one thing would seem clear: The party is beyond redemption. Long ago, it lost its moral authority, and in the last few years much of its power. It has become a beached whale. For all that the party's membership is dwindling, it still poisons Soviet politics and thus hampers the creation of a healthy pluralist society. In more prosaic terms, the erstwhile party of Lenin and Stalin has come to resemble an association of job holders held together not so much by a shared faith in the shopworn dogmas of Marxism-Leninism, as by their reluctance to lose their privileges and perquisites.

Bush's visit was thus yet another sign of the Soviet leadership's determination (and on this Gorbachev and Yeltsin are in agreement) to break with the past and to eschew the old policy of expansionism and posturing on the international scene, a policy through which the Kremlin had hoped to mask its internal weaknesses and oppression. For the current leaders, the country's future lies alongside that of the democracies. But on this count, the death of an old Bolshevik and Stalin's servitor provided a jarring reminder that much he had represented has as yet not been eliminated from Soviet life. Soviet domestic policies have up to now not caught up with the logic of the Kremlin's new foreign policy, and therein lies the great challenge confronting Gorbachev and his band of reformers.

THE MUSE OF THE WEEK IN REVIEW

Red Squaring the circle

Russians, tired of pulling their belts in
And grown glassy-eyed with glasnost,
Had cast a warm eye upon Yeltsin,
Which left Gorbachev at the post.

But Garby remaining unmoved,
Was able to get in his licks
With reforms that summarily proved
One can teach old dogmas new tricks.

Now he's breasted the summit and severed
The deal that he's finally made
For the USSR's new "most favored
Nation" in USA trade.

While the Ukraine's been heaping abuse
On Gorbachev's notable charms,
Bush plied him with iced-vodka mousse
And toasted their "Farewell to Arms."

Both felt globally gilded with kudos,
As they strode beneath St. Basil's dome
Ignoring the daily renewed dose
Of problems they've messed up at home.

FELICIA LAMPORT